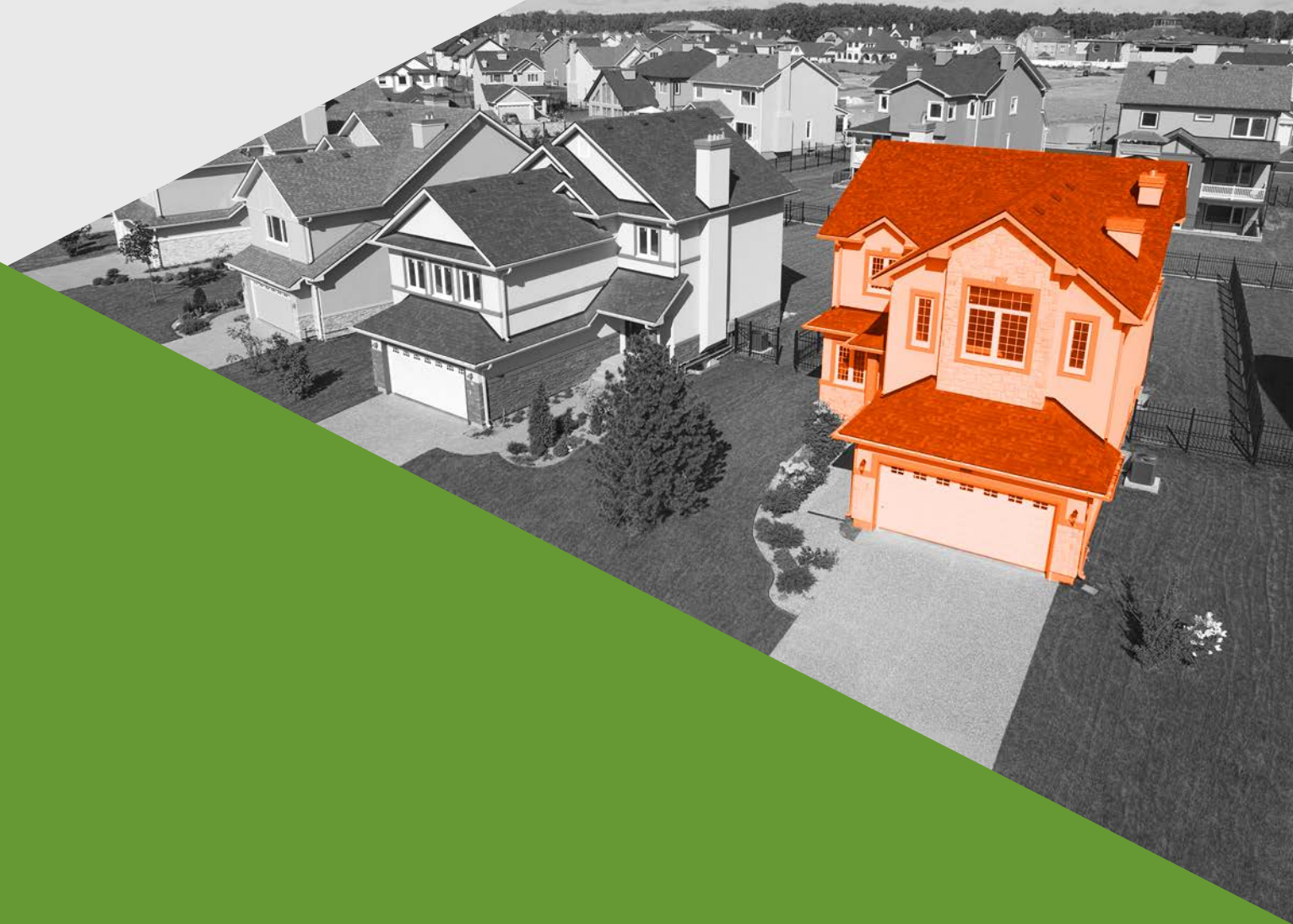




CoreLogic®



2017 Mortgage Fraud Report

SEPTEMBER 2017

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FRAUD REPORT - NATIONAL OVERVIEW

- ▶ New York stands in the top position for the mortgage application fraud risk for 2017, edging out Florida, which moves to third place behind New Jersey in the number two spot. Risk levels for Florida and New Jersey are nearly identical at this time. Because Florida volumes are 2.5 times that of either New York or New Jersey, all three areas bear watching.
- ▶ States with the greatest year-over-year growth in risk include Iowa, Indiana, Missouri, Louisiana, and Idaho. Of the five, Louisiana is the only top-growth state with a risk level greater than the National Index. It grew from 103 to 145 year-over-year, and is ranked the eighth riskiest state.
- ▶ Jumbo refinance loans are the segment showing the greatest risk increase by loan type.
- ▶ Occupancy fraud risk had the greatest increase year-over-year, followed by increases in Transaction, Income, and Property fraud types. Undisclosed Real Estate Debt and Identity showed declines in risk.

13,404

**MORTGAGE APPLICATIONS
ESTIMATED TO HAVE
INDICATIONS OF FRAUD
IN Q2 2017**

During the second quarter of 2017, an estimated 13,404 mortgage applications or 0.82 percent of all mortgage applications contained fraud. By comparison, in the second quarter of 2016, mortgage application fraud was found on 12,718 applications, or 0.70 percent of all applications.

**MORTGAGE APPLICATION
FRAUD RISK INDEX**

↑16.9%

Q2 2017 COMPARED TO Q2 2016

The CoreLogic Mortgage Application Fraud Risk Index increased 16.9 percent nationally from the second quarter 2016 to the second quarter of 2017. While the index fluctuated during the year, it is continuing its long-term upward trend from Q3 2010. Although loosening credit is a factor, the increase is primarily attributed to a higher percentage of purchase transactions and growing wholesale market share.

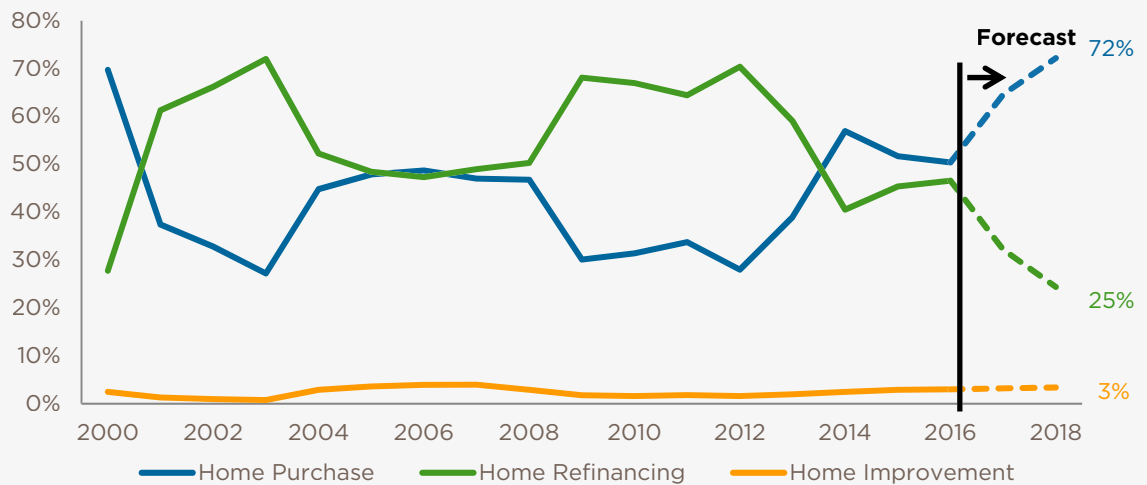
The CoreLogic Mortgage Fraud Report analyzes the collective level of loan application fraud risk the mortgage industry is experiencing each quarter. CoreLogic develops the index based on residential mortgage loan applications processed by CoreLogic LoanSafe Fraud Manager™, a predictive scoring technology. The report includes detailed data for six fraud type indicators that complement the national index: **identity, income, occupancy, property, transaction, and undisclosed real estate debt.**

FACTORS AFFECTING FRAUD RISK

Market factors that influenced fraud risk during the previous year include:

- ▶ The continued shift from what had been a very refinance-heavy market to a purchase market is a key factor in the application fraud risk increase. From Q2 2016 to Q2 2017, the proportion of purchase transactions within the consortium increased from 55% to 66% of applications. Forecasts are for this trend to persist. Purchase transactions have higher risk due to the stronger motivations and increased opportunities to commit mortgage origination fraud.

SHARE OF SINGLE-FAMILY ORIGINATIONS (PERCENT)



Source: HMDA (2000–2015), CoreLogic public records (2016), average of MBA, Freddie Mac, Fannie Mae projections (2016–2018).

- ▶ The second factor leading to an increase in fraud risk was a 48% increase in the share of loans originated through wholesale channels, from 5.0% to 7.3%. Traditionally, wholesale applications have shown a higher risk level than Retail channels, and the increase in Wholesale lending is affecting the National Index.

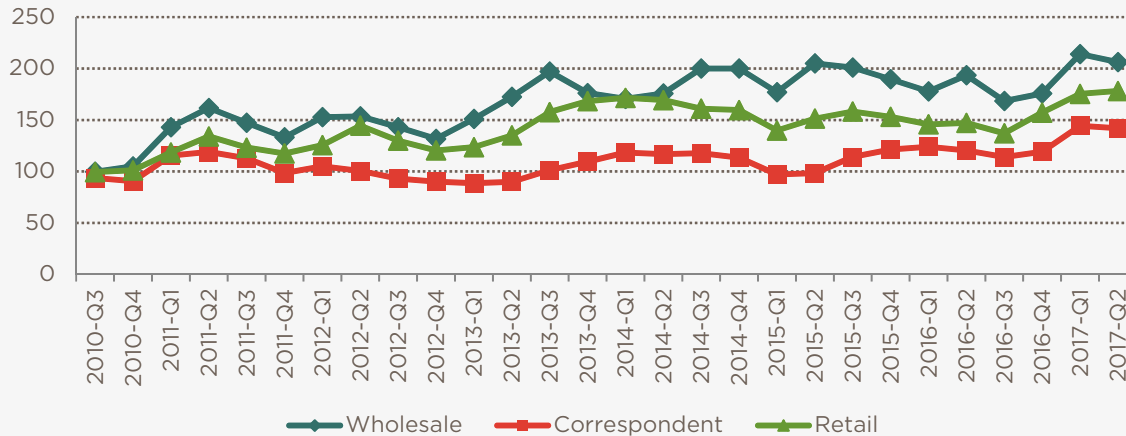
Note the lower risk for Correspondent loans is due to ordering reports later in the loan process. Many high-risk transactions have fallen out of the pipeline by the time the applications are submitted for scoring.

“This past year we saw a relatively large increase in the CoreLogic National Mortgage Application Fraud Index. If the factors that influenced the increase continue, including a shift to purchase transactions and growing wholesale channel origination activity, it is likely that mortgage application fraud risk will continue to rise as well. Fraud on cash-out refinance transactions and home equity loans may become more of a factor in the coming years as home values and equity rise.”

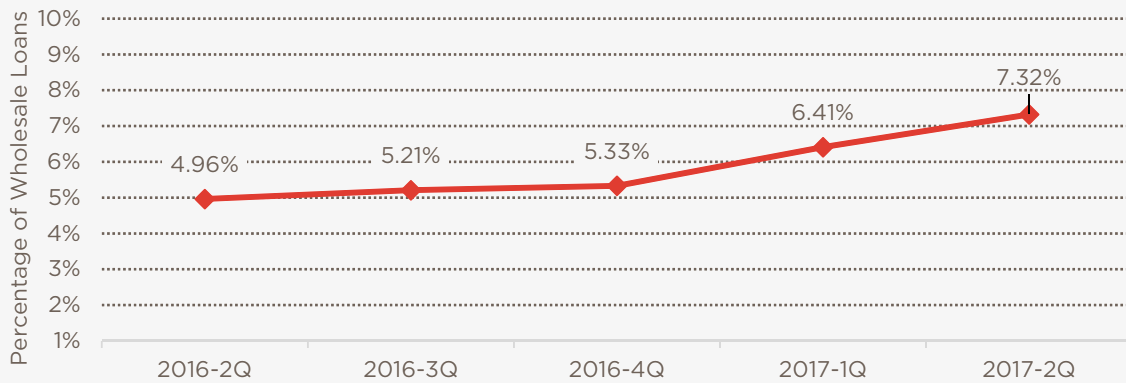
Bridget Berg, Principal, Fraud Solutions Strategy at CoreLogic

FACTORS AFFECTING FRAUD RISK

► National Mortgage Application Fraud Index by Loan Channel



► Wholesale Loan Share



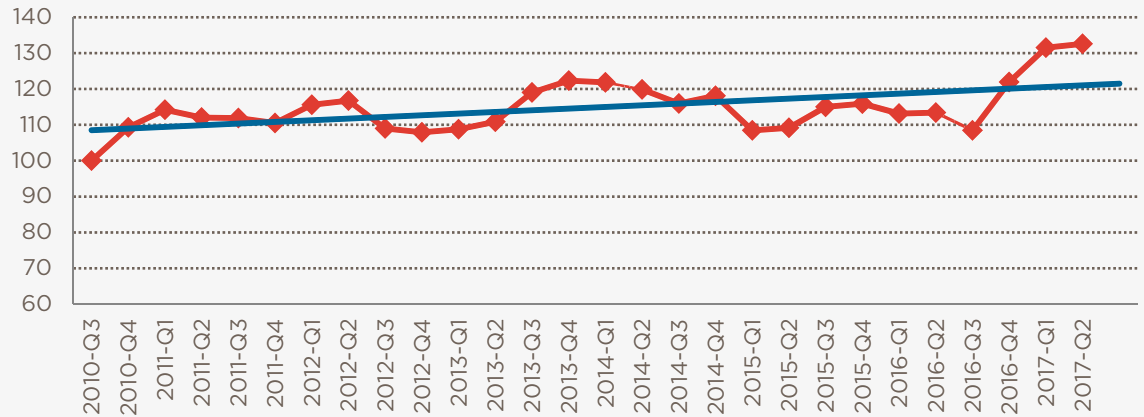
While purchase transactions account for most of the increase in the National Mortgage Application Fraud Index, the refinance segments also showed risk increases, most notably in the Jumbo segment, where the risk index increased 59% while volumes decreased by 35%. Specific risk indicators that increased for jumbo refinances during the last year included rapid refinancing after purchase, home value appreciation not supported by market changes, and occupancy red flags.

“The move to digital mortgage processes may limit opportunities for alteration or interception of critical underwriting information, as data will be directed straight from reliable sources directly to the lender. Fraudsters will try to get around these new safeguards by utilizing income and asset sources that do not participate in these automated processes and cannot be verified in a controlled environment.”

Bridget Berg, Principal, Fraud Solutions Strategy at CoreLogic

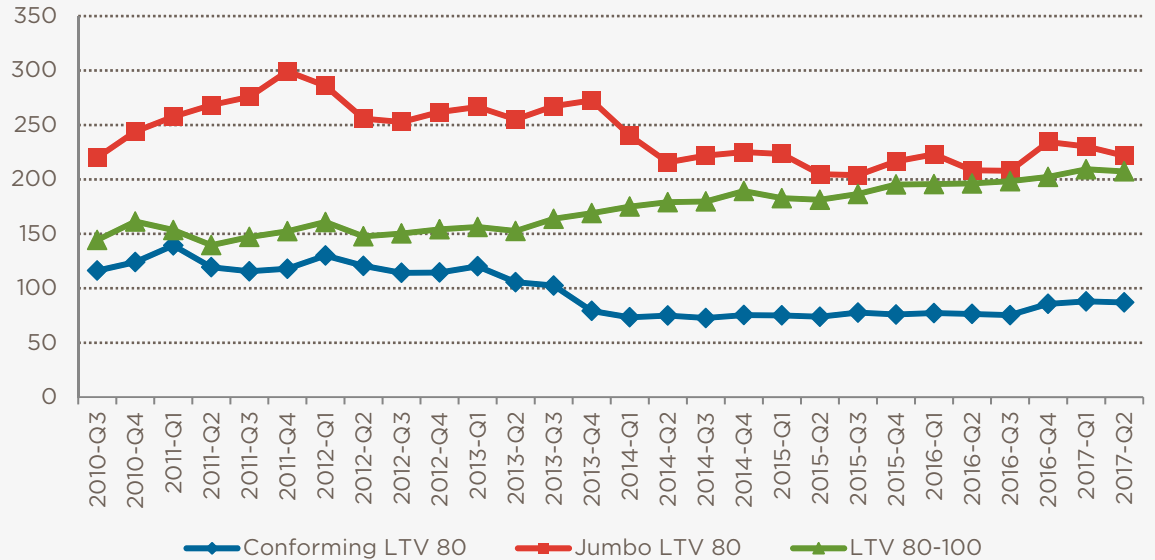
NATIONAL MORTGAGE FRAUD RISK OVERVIEW

► National Mortgage Application Fraud Index Over Time



Note: The blue is a trend line.

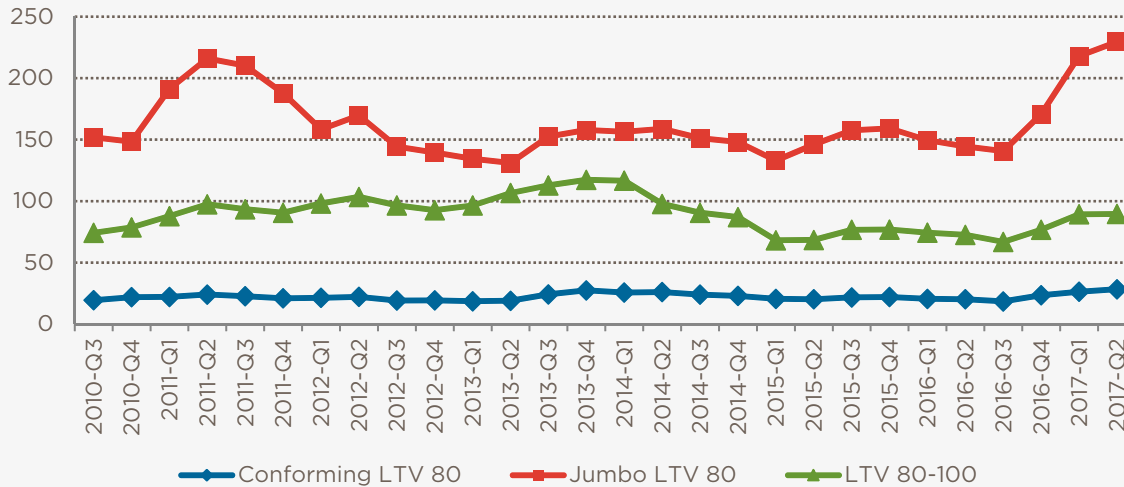
► National Mortgage Application Fraud Index by Loan Segment: Purchase



Source: CoreLogic 2017

NATIONAL MORTGAGE FRAUD RISK OVERVIEW

► National Mortgage Application Fraud Index by Loan Segment: Refinance



Source: CoreLogic 2017

DEFINITIONS

- *The Conforming LTV 80* segment consists of applications for owner-occupied mortgages with Loan-To-Value (LTV) less than or equal to 80 percent and a loan amount less than or equal to the conforming loan limit.
- *The Jumbo LTV 80* segment contains applications for owner-occupied mortgages with LTV less than or equal to 80 percent and a loan amount greater than the conforming loan limit.
- *The LTV 80-100* segment consists of applications for all mortgages with LTV greater than 80 percent, but less than or equal to 100 percent.

NATIONAL MORTGAGE FRAUD TYPE INDICATORS

OCCUPANCY FRAUD RISK

↑ **7.0%**

Q2 2017 COMPARED TO Q2 2016



Occupancy fraud occurs when mortgage applicants deliberately misrepresent their intended use of a property (primary residence, secondary residence, or investment). Programs, pricing, and underwriting guidelines are impacted by a property's intended occupancy. From the second quarter of 2016 to the second quarter of 2017, the occupancy- fraud indicator increased 7.0 percent. The risk has been steady over the last year with a slight increase each quarter that has led to the overall increase for the year.

States with Largest YOY Increase:

- ▶ Hawaii
- ▶ Colorado
- ▶ Nevada
- ▶ Montana
- ▶ Nebraska

TRANSACTION FRAUD RISK

↑ **3.9%**

Q2 2017 COMPARED TO Q2 2016



Transaction fraud occurs when the nature of the transaction is misrepresented, such as undisclosed agreements between parties and falsified down payments. This risk includes third party risk, non-arm's length transactions, and straw buyers. At the end of the second quarter of 2017, the transaction risk indicator increased 3.9 percent when compared to the same quarter in 2016, with a steady increase each quarter.

States with Largest YOY Increase:

- ▶ South Dakota
- ▶ Wyoming
- ▶ Montana
- ▶ New Hampshire
- ▶ North Dakota

INCOME FRAUD RISK

↑ **3.5%**

Q2 2017 COMPARED TO Q2 2016



Income fraud includes misrepresentation of the existence, continuance, source, or amount of income used to qualify. From the second quarter of 2016 to the second quarter of 2017, the income fraud risk indicator increased 3.5 percent. The risk decreased the first two quarters with a sharp increase the second two quarters.

States with Largest YOY Increase:

- ▶ Alaska
- ▶ Indiana
- ▶ Maine
- ▶ Alabama
- ▶ Utah

NATIONAL MORTGAGE FRAUD TYPE INDICATORS

PROPERTY FRAUD RISK

↓ 1.9%

Q2 2017 COMPARED TO Q2 2016



Property fraud occurs when information about the property or its value is intentionally misrepresented. From the second quarter of 2016 to the second quarter of 2017, property fraud risk decreased 1.9 percent nationally. The trend had an increase and decrease oscillation quarter-over-quarter with a net increase over the four quarters.

States with Largest YOY Increase:

- ▶ Wyoming
- ▶ Washington DC
- ▶ Vermont
- ▶ New Mexico
- ▶ Alaska

UNDISCLOSED REAL ESTATE DEBT FRAUD RISK

↓ 2.7%

FROM Q2 2015 TO Q2 2016



Undisclosed real estate debt fraud occurs when a loan applicant intentionally fails to disclose additional real estate debt, such as mortgages and real estate taxes. During the second quarter of 2017, this type of fraud risk decreased 2.7 percent compared to the same quarter in 2016. The fraud risk increased for the first two quarters then decreased the second two quarters.

States with Largest YOY Increase:

- ▶ North Dakota
- ▶ Nebraska
- ▶ Iowa
- ▶ Wyoming
- ▶ Indiana

IDENTITY FRAUD RISK

↓ 7.3%

FROM Q2 2015 TO Q2 2016



Among the more serious fraud types, identity fraud occurs when an applicant alters, creates, or uses a stolen identity to obtain a mortgage. The indicator measuring identity fraud risk decreased 7.3 percent from the second quarter of 2016 to the second quarter of 2017, with a slight increase the first two quarters and a steep decrease the second two quarters.

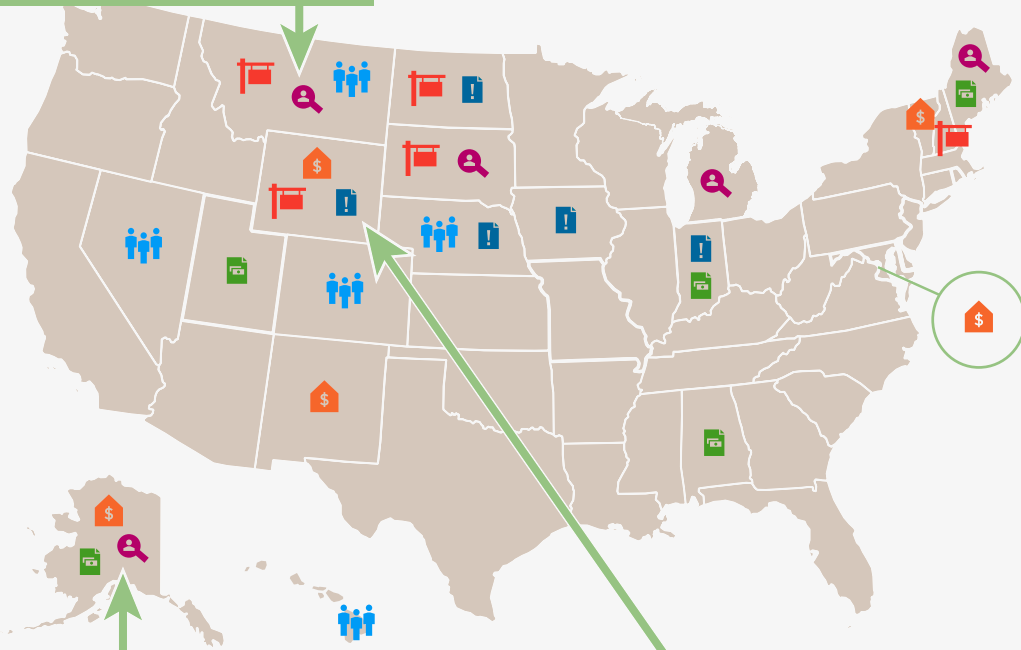
States with Largest YOY Increase:

- ▶ Maine
- ▶ Alaska
- ▶ Michigan
- ▶ Montana
- ▶ South Dakota

NATIONAL MORTGAGE FRAUD TYPE INDICATORS

States with Highest Risk by Mortgage Fraud Type Indicators







Montana ranks top five for Identity, Transaction, and Occupancy Application Fraud.



Alaska ranks in top five for Identity, Income, and Property Application Fraud.

Wyoming ranks top five for Transaction, Property, and Undisclosed Real Estate Debt Application Fraud.

LEGEND

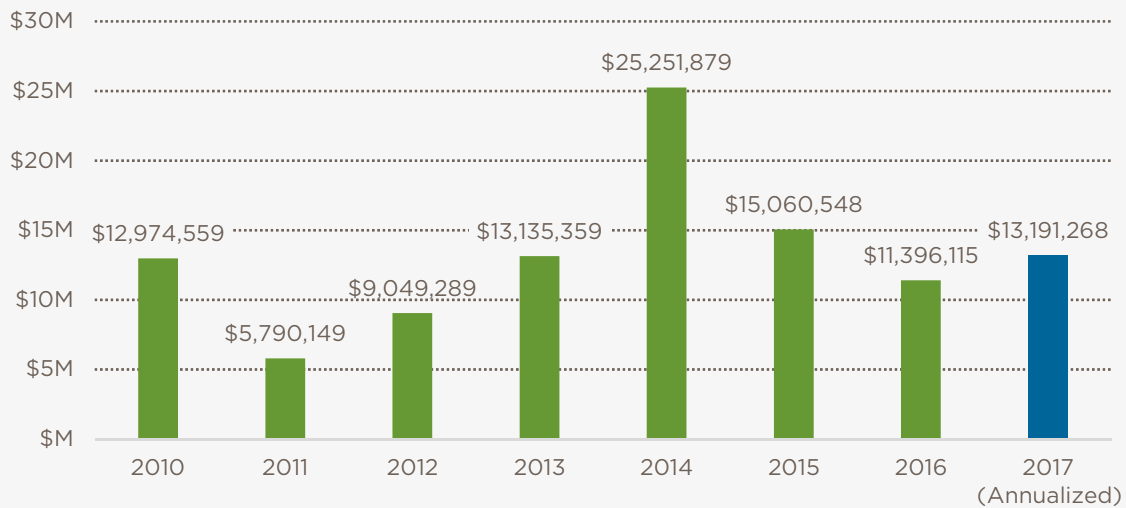
-  Transaction
-  Identity
-  Property
-  Occupancy
-  Income
-  Undisclosed Real Estate Debt

Top five states and regions for each fraud type as of Q2 2017
Source: CoreLogic 2017

MULTI-CLOSING FRAUD RISK

Multi-lien fraud is an extremely profitable scam that takes advantage of the lag between closing and recording to solicit multiple loans on a single property. 2014 showed a spike in multi-lien fraud attempts as measured by prevention reported through the CoreLogic Multi-Closing Alert Program (MCAP). In 2015 and 2016, the activity decreased, but 2017 is projected to show an increase.

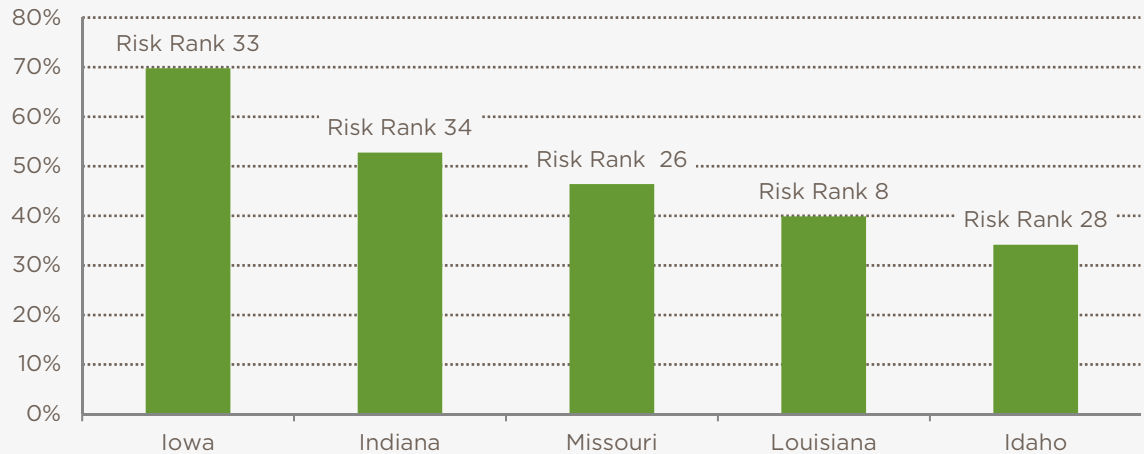
► Loan Amounts Averted Through Multi-Closing Alert Program



Source: CoreLogic 2017

MORTGAGE FRAUD RISK HIGHLIGHTS BY STATE

► **Five States with the Highest Year-Over-Year Growth in Application Fraud Risk**



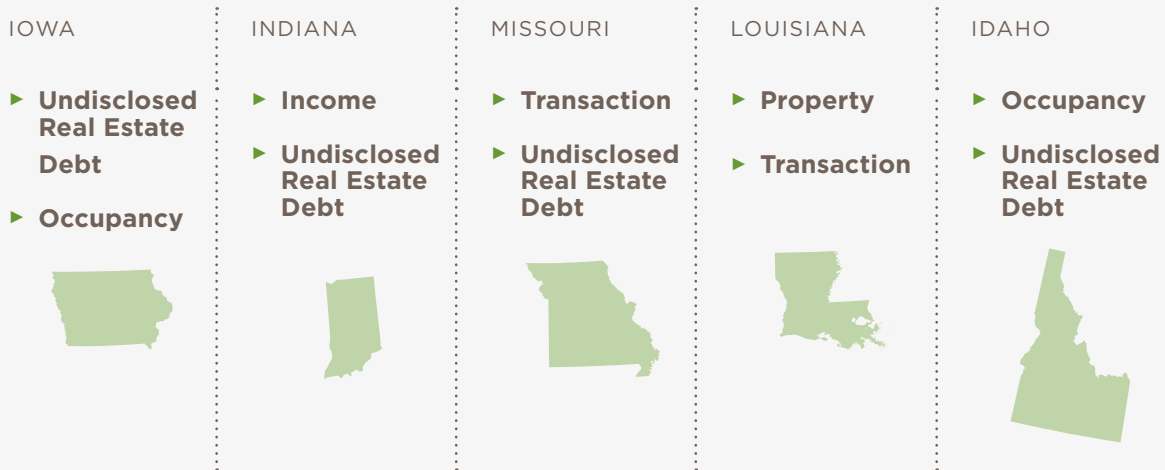
Risk Rankings are based on state-level Mortgage Application Fraud Index. States with statistically insignificant application volumes are excluded for this analysis.
Source: CoreLogic 2017

Historically the highest risk states are usually the ones that have larger year-over-year increases in fraud risk. Over recent years the higher risk states have stabilized and the states with lower risk have become the big risk movers. Risky markets appear to show a less geographically concentrated pattern as well.

MORTGAGE FRAUD RISK HIGHLIGHTS BY STATE

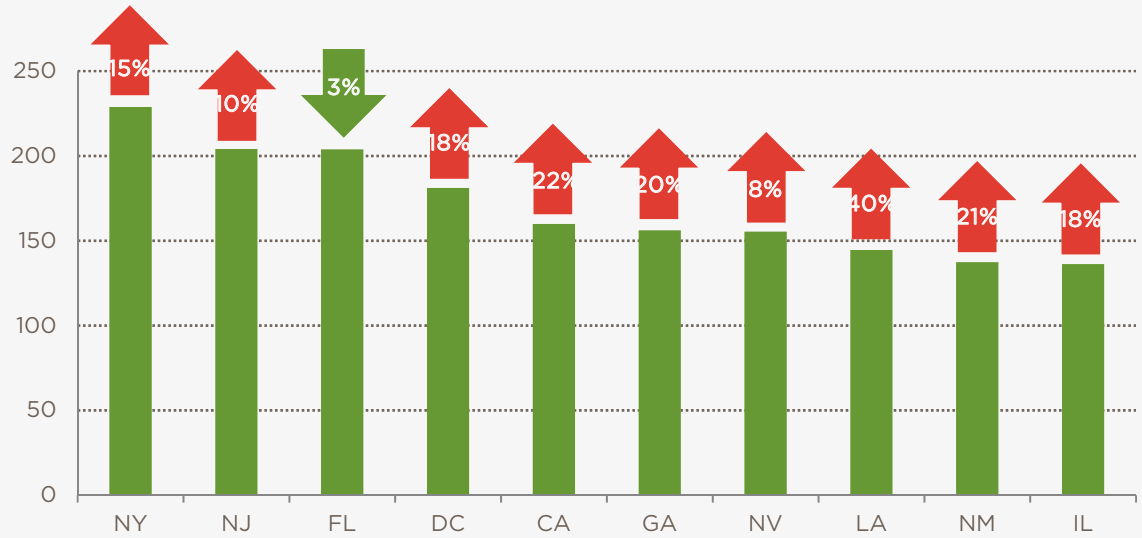
A breakout of states provides a better look into which states are experiencing fraud risk growth and those that appear to be decreasing in risk.

► Fraud Type Indicators for States with Highest Year-Over-Year Risk Growth



MORTGAGE FRAUD RISK HIGHLIGHTS BY STATE

► Ten States With the Highest Application Fraud Risk



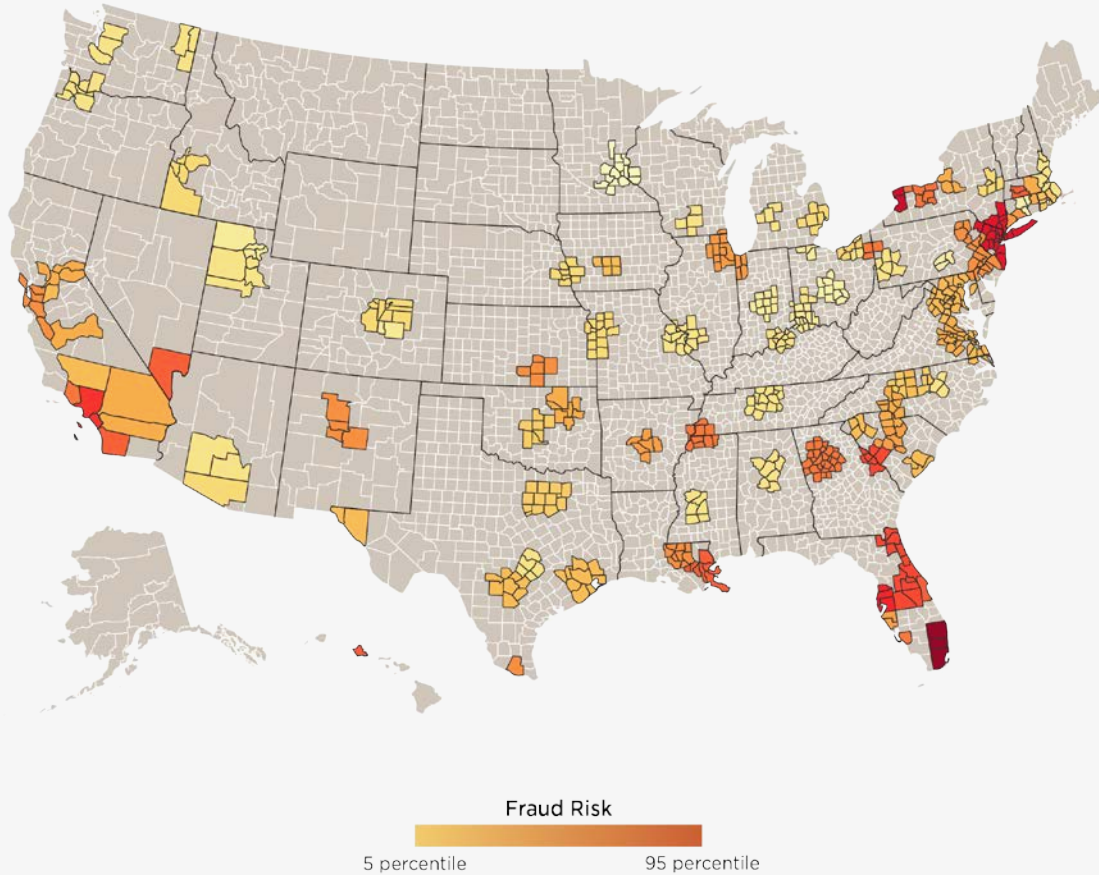
Top 10 Riskiest states as of Q2 2017. Arrows show year-over-year change.
Source: CoreLogic 2017

Hawaii, Maryland and Delaware have dropped out of the top 10 and Louisiana, New Mexico and Illinois have moved into the top ten.

Note: State-level rankings require a minimum volume level for inclusion; Hawaii dropped below the inclusion level for Q2 2017 but would have been ranked 4th.

MORTGAGE FRAUD RISK BY GEOGRAPHY

► **Fraud Risk Heat Map**



Source: CoreLogic 2017

The Fraud Risk heat map displays the CBSA rank for fraud risk as of Q2 2017. Only top 100 CBSAs by population are considered.

MORTGAGE FRAUD RISK BY GEOGRAPHY

All tables or graphs below are limited to the top 100 Metropolitan areas based on population.

► Five Metro Areas with the Highest Year-Over-Year Growth in Application Fraud Risk

CORE-BASED STATISTICAL AREA	RISK INDEX	FRAUD RISK INDEX CHANGE
Greenville-Anderson-Mauldin, SC	122	116%
Des Moines-West Des Moines, IA	126	108%
Youngstown-Warren-Boardman, OH-PA	167	105%
Buffalo-Cheektowaga-Niagara Falls, NY	235	105%
Madison, WI	97	101%

► Five Metro Areas with the Largest Year-Over-Year Declines in Application Fraud Risk

CORE-BASED STATISTICAL AREA	RISK INDEX	FRAUD RISK INDEX CHANGE
Lakeland-Winter Haven, FL	187	-17%
Miami-Fort Lauderdale-West Palm Beach, FL	259	-7%
Jacksonville, FL	186	-6%
North Port-Sarasota-Bradenton, FL	144	-5%
Tampa-St. Petersburg-Clearwater, FL	205	-4%

MORTGAGE FRAUD RISK BY GEOGRAPHY

TOP 25 METRO AREAS WITH THE HIGHEST APPLICATION FRAUD RISK

CORE-BASED STATISTICAL AREA	POPULATION	2017 Q2 RISK INDEX	YEAR-OVER-YEAR 2017 Q2 TO 2016 Q2	QUARTER-OVER-QUARTER Q2 TO Q1, 2017	RISK RANK
Miami-Fort Lauderdale-West Palm Beach, FL	6,012,331	259	-7%	-5%	1
Buffalo-Cheektowaga-Niagara Falls, NY	1,135,230	235	105%	54%	2
New York-Newark-Jersey City, NY-NJ-PA	20,182,305	229	9%	1%	3
Tampa-St. Petersburg-Clearwater, FL	2,975,225	205	-4%	-5%	4
Deltona-Daytona Beach-Ormond Beach, FL	623,279	199	3%	1%	5
Los Angeles-Long Beach-Anaheim, CA	13,340,068	199	21%	7%	6
Augusta-Richmond County, GA-SC	590,146	190	49%	28%	7
Lakeland-Winter Haven, FL	650,092	187	-17%	-13%	8
Jacksonville, FL	1,449,481	186	-6%	13%	9
Orlando-Kissimmee-Sanford, FL	2,387,138	183	1%	6%	10
Springfield, MA	631,982	181	30%	31%	11
Urban Honolulu, HI	998,714	177	11%	0%	12
San Diego-Carlsbad, CA	3,299,521	176	35%	11%	13
New Orleans-Metairie, LA	1,262,888	174	19%	17%	14
Palm Bay-Melbourne-Titusville, FL	568,088	172	6%	27%	15
Las Vegas-Henderson-Paradise, NV	2,114,801	171	3%	-15%	16
Rochester, NY	1,081,954	171	58%	98%	17
Memphis, TN-MS-AR	1,344,127	169	18%	8%	18
Cape Coral-Fort Myers, FL	701,982	168	4%	-1%	19
Youngstown-Warren-Boardman, OH-PA	549,885	167	105%	-39%	20
Oxnard-Thousand Oaks-Ventura, CA	850,536	164	11%	-19%	21
Atlanta-Sandy Springs-Roswell, GA	5,710,795	162	23%	2%	22
Scranton--Wilkes-Barre--Hazleton, PA	558,166	161	56%	25%	23
McAllen-Edinburg-Mission, TX	842,304	160	-2%	46%	24
Albuquerque, NM	907,301	157	28%	3%	25

Sources: CoreLogic; top 100 CBSAs are determined by population, estimated from U.S. Census Bureau Population Division March 2017 release.

NATIONAL MORTGAGE FRAUD INDEX METHODOLOGY

Comprehensive fraud risk analysis based on the industry's largest lender-driven mortgage fraud consortium and leading predictive scoring technology.

The CoreLogic Mortgage Application Fraud Risk Index represents the collective level of fraud risk the mortgage industry is experiencing in each time period, based on the share of loan applications with a high risk of fraud. The index is standardized to a baseline of 100 for the share of high-risk loan applications nationally in the third quarter of 2010. Each 1-point change in the index represents a 1 percent change in the share of mortgage applications having a high risk of fraud.

The estimated number of fraudulent applications is derived by applying the current risk level of CoreLogic Mortgage Fraud Consortium applications to industry volumes.

The Fraud Type Indicators are based on specific CoreLogic LoanSafe Fraud Manager alerts. These alerts are compiled consistently for all CoreLogic Mortgage Fraud Consortium members. Indicator levels are based on the prevalence and predictiveness of the relevant alerts. An increase in the indicator correlates with increased risk of the corresponding fraud type.

ABOUT CORELOGIC

CoreLogic (NYSE: CLGX) is a leading global property information, analytics and data-enabled services provider. The company's combined data from public, contributory and proprietary sources includes over 4.5 billion records spanning more than 50 years, providing detailed coverage of property, mortgages and other encumbrances, consumer credit, tenancy, location, hazard risk and related performance information. The markets CoreLogic serves include real estate and mortgage finance, insurance, capital markets, and the public sector. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and managed services. Clients rely on CoreLogic to help identify and manage growth opportunities, improve performance and mitigate risk. Headquartered in Irvine, Calif., CoreLogic operates in North America, Western Europe and Asia Pacific. For more information, please visit www.corelogic.com.

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Additional CBSA-level data available by request.

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